

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CU-02 OPR-02 AID-05 IGA-02 TRSE-00  
OMB-01 ABF-01 CIAE-00 INR-07 NSAE-00 EB-07 COME-00  
H-01 SP-02 /041 W  
-----041621Z 126594 /45

R 040957Z MAY 77

FM AMEMBASSY BEIRUT  
TO SECSTATE WASHDC 3898  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 1 OF 3 BEIRUT 2088

E.O. 11652: GDS

TAGS: PFOR EAID US LE

SUBJ: AMERICAN UNIVERSITY OF BEIRUT - FINANCING

1. SUMMARY. (THIS IS THE THIRD OF MY PRE-CONSULTATION  
TELEGRAMS.) THE AUB IS IN ITS PERENNIAL FINANCIAL FIX.  
REVENUES ARE NOT CONSONANT WITH NEEDS, IT IS IN DEBT, AND  
USG SUPPORT APPEARS TO BE WANING. OTHER SOURCES OF FUNDS  
ARE NEEDED. ONLY POTENTIAL NEW SOURCES EVIDENT AT MOMENT  
ARE ARAB STATES AND ALUMNI. DEPENDENCE ON SUPPORT FROM  
THESE SOURCES WILL AFFECT THE UNIVERSITY'S ACADEMIC  
CHARACTER AND ADMINISTRATION. IF WE ARE INTERESTED IN  
PRESERVING THE AMERICAN NATURE OF THE INSTITUTION,  
SUBSTANTIAL USG SUPPORT MUST CONTINUE. A MORE ACTIVE  
USG ROLE TO ENCOURAGE ARAB GOVERNMENT AND ALUMNI  
CONTRIBUTIONS MIGHT HELP TO SPREAD THE FINANCIAL BURDEN  
AND DEVELOP A PARTNERSHIP APPROACH. END SUMMARY.

2. IN RECENT WEEKS I HAVE HAD A SERIES OF CONVERSATIONS  
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WITH ACTING AUB PRESIDENT JAMES COWAN, VICE PRESIDENT  
SAMIR THABET, AND DEAN OF ARTS AND SCIENCES ELIE  
SALEM ABOUT THE STATE OF UNIVERSITY FINANCES. WHILE THE  
AUB IS STILL AFLOAT, THANKS LARGELY TO HELP GIVEN  
UNDER AID'S AMERICAN SCHOOLS AND HOSPITALS ABROAD  
(ASAHA) PROGRAM, ITS FUTURE IS BLEAK. PLANS IT HAD  
TO APPROACH SELF-SUFFICIENCY HAVE

BEEN UPSET BY THE CIVIL WAR WHICH HAS DELAYED FOR SEVERAL YEARS, AT LEAST, ITS PROJECT TO DEVELOP COMMERCIALLY SOME OF ITS REAL ESTATE. THE AUB SERVICES CORPORATION, ESTABLISHED AS AN INCOME EARNER, IS OFF TO A PROMISING START, BUT IT WILL ALSO BE A MATTER OF YEARS (AND LUCK) BEFORE IT BEGINS TO BRING IN A SUBSTANTIAL RETURN. THE UNIVERSITY'S \$12. MILLION ENDOWMENT BROUGHT IN ONLY \$400,000 IN 1976, A DROP IN THE BUCKET. THERE ARE NO OTHER UNIVERSITY CONTROLLED SOURCES OF INCOME EXCEPT TUITION. TO BE SELF-SUPPORTING THE UNIVERSITY WOULD NEED AN ENDOWMENT OF \$200 MILLION.

3. IN THE MEANTIME, THE UNIVERSITY HAS HAD TO BORROW LL 19 MILLION (ABOUT \$6.3 MILLION) FROM COMMERCIAL BANKS. THE LEBANESE GOVERNMENT IS GOING TO LEND IT LL 19 MILLION TO PAY THE BANK, BUT IT WILL STILL OWE THE GOL. TO PAY OFF THIS DEBT AND TO BRING FACULTY, EQUIPMENT AND PLANT BACK TO PRE-WAR CONDITION IT NEEDS AN ESTIMATED \$20 MILLION. TUITION RATES, ALREADY VERY HIGH BY LOCAL STANDARDS, ARE TO BE RAISED AND AN EFFORT IS BEING MADE TO PUT THE UNIVERSITY HOSPITAL ON A SELF-SUPPORTING BASIS, BUT FOR THE COMING FOUR YEARS THERE WILL BE A GAP OF \$7 TO \$9 MILLION PER YEAR. (WE HAVE POUCHED TO NEA/ARN A DETAILED STUDY OF THE PROBLEM FROM COWAN.)

4. THE PRINCIPAL SOURCE OF OUTSIDE FUNDS IN THE PAST HAS BEEN THE USB, BUT THE \$6 OR \$7 MILLION WHICH WAS 40 PER CENT OF THE BUDGET FIVE OR TEN YEARS AGO IS ONLY CONFIDENTIAL

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20 PER CENT OF THE BUDGET TODAY, THANKS TO INFLATION. (THE LOCAL COST OF LIVING HAS INCREASED 58 PER CENT IN THE PAST YEAR ACCORDING TO A RECENT PRIVATE SURVEY.) FURTHERMORE, COWAN SAYS HE HAS BEEN TOLD BY AID/ WASHINGTON TO EXPECT A FURTHER AND STEADY REDUCTION IN THE AMOUNTS WHICH WILL BE MADE AVAILABLE UNDER ASAHA GRANTS. THE \$5.2 MILLION THEY THOUGHT THEY WERE GOING TO GET FOR 1976-77 MAY BE REDUCED TO \$5 MILLION. NEXT YEAR THEY MAY GET \$4.5 MILLION AND THEY UNDERSTAND THAT WILL BE REDUCED THE FOLLOWING YEAR AND THE YEAR AFTER THAT BECAUSE THE CONGRESS FEELS AUB SHOULD BECOME SELF-SUPPORTING.

5. THIS IS WHERE I CAME IN 16 YEARS AGO, WITH NORMAN BURNS ENGAGED IN A TITANIC STRUGGLE WITH THE AUB BUDGET. WHILE SUCH QUESTIONS ARE NEVER SETTLED ONCE AND FOR ALL, IT IS FISH OR CUT BAIT TIME AGAIN.

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INFO OCT-01 ISO-00 CU-02 OPR-02 AID-05 IGA-02 TRSE-00  
OMB-01 ABF-01 CIAE-00 INR-07 NSAE-00 EB-07 COME-00  
H-01 SP-02 /041 W

-----041622Z 128062 /45

R 040957Z MAY 77  
FM AMEMBASSY BEIRUT  
TO SECSTATE WASHDC 3899  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 2 OF 3 BEIRUT 2088

6. BRIEFLY, WE HAVE TWO ALTERNATIVES. (A) WE CAN  
CONTINUE HELPING AT THE PRESENT LEVEL, OR, PREFERABLY,  
AT A HIGHER LEVEL. (B) WE CAN PHASE OUT OUR HELP, OR  
REDUCE IT GRADUALLY TO A MUCH MORE MODEST LEVEL, AND  
LET AUB SINK OR SWIM.

7. THE SECOND ALTERNATIVE WOULD REQUIRE THE SCHOOL  
TO FIND ALTERNATIVE SOURCES OF INCOME IF IT IS TO SURVIVE.  
THE MOST OBVIOUS SOURCE IS THE OIL STATES. PRELIMINARY  
EFFORTS IN THIS REGARD HAVE NETTED \$1. MILLION FROM ABU  
DHABI FOR THE UNIVERSITY HOSPITAL, \$1 MILLION FROM QATAR  
TO ENDOW A CHAIR IN PETROLEUM ECONOMICS, AND A PROMISE,  
AS YET UNKEPT, FROM THE FOREIGN MINISTER OF THE  
UAE FOR \$5 MILLION. THIS LATTER PROMISE IS BEGINNING  
TO FADE AND THE AUB DOES NOT REALLY EXPECT TO GET IT.

8. ANOTHER POTENTIAL SOURCE, STILL UNTAPPED, IS THE  
ALUMNI. TENTATIVE EFFORTS TO GET MONEY FROM THEM  
HAVE BEEN LARGELY FUTILE TO DATE BUT THOSE EFFORTS  
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APPARENTLY HAVE NOT BEEN AS WELL-ORGANIZED AS THEY

SHOULD HAVE BEEN. I AM TOLD AUB CANNOT AFFORD TO SPEND MORE MONEY ON ALUMNI AFFAIRS, BUT THIS IS A MATTER OF PRIORITIES. PERHAPS THEY COULD SPEND MORE MONEY ON CULTIVATING ALUMNI AND LESS ON THE TRANSPORT OF PEOPLE TO BOARD MEETINGS.

9. MONEY FROM THE ARAB STATES AND ARAB ALUMNI, DESIRABLE AS IT MAY BE, ALSO POSES A BASIC PHILOSOPHICAL AND PRACTICAL QUESTION FOR US: DO WE WANT THE AUB TO CONTINUE AS AN AMERICAN INSTITUTION AND WHAT ARE WE PREPARED TO DO ABOUT IT? ARAB ATTITUDES TOWARDS THE AUB ARE COMPLEX, BUT THERE ARE TWO OUTSTANDING ASPECTS TO THEM:

(A) ARABS TEND TO REGARD AUB AS AN AMERICAN ASSET AND EXPECT US TO KEEP IT GOING FOR OUR OWN INTERESTS. THIS ATTITUDE IS SUMMED UP BY THE REMARK OF ONE LOCAL LADY WHO SAID TO ME, "IT'S A DISGRACE THAT YOU GO AROUND BEGGING US TO PAY FOR THE AUB. IT'S THE BRIGHTEST JEWEL IN YOUR CROWN; YOU MUST CHERISH IT." A COROLLARY TO THIS IS A GENERAL BELIEF THAT, WHEN THE SHOWDOWN COMES, WE WILL NOT LET THE AUB COLLAPSE.

(B) ARABS ARE RELUCTANT TO SUPPORT SCHOOL THEY REGARD AS AN EXTENSION OF THE USG, AND THE PRICE OF THEIR SUPPORT IS LIKELY TO BE PROFOUND CHANGES IN THE NATURE OF THE INSTITUTION--AN ARAB MAJORITY ON THE BOARD OF TRUSTEES, AN ARAB PRESIDENT, A REVISED CURRICULUM TO TAKE ACCOUNT OF ARAB NEEDS AND SENSIBILITIES, AND A COMMITMENT TO TAKE STUDENTS FROM CONTRIBUTING STATES, QUALIFIED OR NOT. THESE DEMANDS ARE NOT IMAGINARY. THEY WERE POSED BY THE BAHRAIN MINISTER OF DEVELOPMENT IN 1975 AS THE PRICE FOR A \$20 MILLION DONATION. THEY WERE REJECTED BY THE BOARD OF TRUSTEES AT THE TIME, BUT THEY REFLECT A PERSISTENT

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AND COMMON THEME WHICH IS ENCOUNTERED EVERY TIME THE QUESTION OF ARAB CONTRIBUTIONS COMES UP.

10. THE UNIVERSITY COULD PROBABLY SURVIVE UNDER SUCH CONDITIONS, I.E., ARABIZATION, BUT IT WOULD HAVE OBVIOUS PROBLEMS--IN PARTICULAR THE ADMINISTRATION WOULD BE MUCH MORE SUBJECT TO LOCAL PRESSURES AND MAINTENANCE OF AN AMERICAN ACADEMIC ENVIRONMENT WOULD BE IMPOSSIBLE. IT WOULD NO LONGER BE THE AUB. IT WOULD BE AN ARAB UNIVERSITY WITH SOME AMERICAN FACULTY, PERHAPS. IT WOULD NO LONGER BE THE BRIGHTEST JEWEL IN OUR CROWN.

11. THE AUB IS ONE OF OUR SUCCESS STORIES. ITS HOSPITAL HAS BEEN AN OASIS OF EFFICIENCY WHICH PLAYED A REMARKABLE HUMANITARIAN ROLE IN THE RECENT CIVIL WAR. THE UNIVERSITY HAS PRODUCED MORE RADICALS THAN WE WOULD LIKE, BUT IT HAS ALSO PRODUCED A GREAT MANY INFLUENTIAL GOVERNMENT AND PROFESSIONAL LEADERS WHO HAVE RENDERED YEOMAN SERVICE TO THEIR COUNTRIES AND TO HUMANITY. IT HAS FILLED A UNIQUE ROLE OF PROPAGATING AMERICAN IDEAS AND IDEALS. SOME OF THESE HAVE BEEN TOO HEADY WINE FOR YOUNG ARABS BUT OVERALL IT HAS BEEN A FORCE FOR INTELLECTUAL DEVELOPMENT AND FREEDOM WHICH HAS MADE AN INVALUABLE POSITIVE CONTRIBUTION TO THE AREA. IT WILL NOT MAKE THE SAME CONTRIBUTION, OR ANYTHING LIKE IT, AS AN ARAB UNIVERSITY. IT WOULD BE A SERIOUS LOSS TO PROGRESS IN THE AREA WERE THAT TO HAPPEN.

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ACTION NEA-10

INFO OCT-01 ISO-00 CU-02 OPR-02 AID-05 IGA-02 TRSE-00  
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-----041730Z 127602 /45

R 040957Z MAY 77  
FM AMEMBASSY BEIRUT  
TO SECSTATE WASHDC 3900  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY CAIRO  
AMEMBASSY DAMASCUS  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 3 OF 3 BEIRUT 2088

12. THE CHOICE BETWEEN AMERICAN AND ARAB UNIVERSITY MAY NOT BE THAT SHARP OR CATAclysmic. GIVEN THE DESIRE OF MANY ARABS TO SEE IT REMAIN AN AMERICAN INSTITUTION IT MAY BE POSSIBLE TO SOLVE THE IMMEDIATE FINANCIAL PROBLEM WITHOUT COMPROMISING ITS NATURE. THERE ARE TWO POSSIBILITIES WHICH OCCUR IMMEDIATELY:

(A) THAT THE USG TAKE A MORE ACTIVE ROLE IN

ENCOURAGING THE SAUDIS, KUWAITIS AND OTHERS TO  
CONTRIBUTE TO THE AUB. PERHAPS PRESENT INTEREST IN  
THE UNIVERSITY OF RIYADH WILL ABSORB ALL SAUDI  
ATTENTION IN THE HIGHER EDUCATIONAL FIELD, BUT MAYBE  
THERE IS STILL SOME MILK OF HUMAN KINDNESS LEFT FOR AUB  
SOMEWHERE DOWN THERE. (COWAN AND SALEM REPORT THAT  
PRINCE FAHD HAS A MORE POSITIVE ATTITUDE THAN FEISAL  
DID TOWARDS THE AUB AND THAT ON THEIR RECENT FUND-  
RAISING TOUR IN SAUDI ARABIA THEY WERE GIVEN TO  
UNDERSTAND THAT SOME DIPLOMATIC SUPPORT FROM USG  
WOULD BE VERY USEFUL TO THEIR CAUSE. WE DO NOT KNOW  
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IF THIS IS IN FACT THE CASE BUT SUGGEST IT IS AT LEAST  
WORTH TRYING.) WE ARE ASSUMING THT IF THEY GIVE  
BECAUSE WE ARE DOING THE ASKING, THE PENINSULAR ARABS  
WOULD BE LESS LIKELY TO ASK THAT THE NATURE OF THE  
INSTITUTION BE CHANGED THAN THEY WOULD BE IF WE HAD  
IN EFFECT WASHED OUR HANDS OF THE AFFAIR.

(B) THAT WE AND THE AUB TRUSTEES ENCOURAGE AMERICAN  
COMPANIES HAVING AN INTEREST IN THE AREA TO  
PUT UP FUNDS FOR SCHOLARSHIPS, OR ENDOW CHAIRS, TO  
MATCH FUNDS PUT UP BY ALUMNI, ETC. IT SEEMS TO US  
IMPORTANT TO IMPLANT AMONG THE ALUMNI THE HABIT OF  
GIVING. MATCHING MAY BE THE WAY TO STIMULATE THIS.  
EVIDENCE OF CONTINUING AMERICAN INTEREST WOULD ALSO  
DILUTE PRESSURES FOR ARABIZATION COMING FROM SOME ALUMNI.

13. THE USG ALSO HAS A CONTINUING FINANCIAL ROLE TO  
PLAY. IN OUR DISCUSSIONS WITH OTHER ARAB GOVERNMENTS,  
U.S. COMPANIES ACTIVE IN THE MIDDLE EAST AND AUB  
TRUSTEES, OUR VOICE WOULD OBVIOUSLY BE STRENGTHENED  
IF WE COULD SAY THAT WE ARE SEEKING A SUPPLEMENT,  
NOT A REPLACEMENT FOR USG FINANCIAL SUPPORT; THAT  
WE WANT TO INCREASE AND DEVELOP A PARTNERSHIP WITH  
OTHERS WHO ARE INTERESTED IN MAINTAINING AN AMERICAN  
EDUCATIONAL PRESENCE IN THE ARAB WORLD. I THEREFORE  
URGE THAT WE EXPLORE WAYS IN WHICH THE LEVEL OF THE  
USG CONTRIBUTION CAN BE AT LEAST MAINTAINED AND  
PERHAPS INCREASED.

14. COMMENT: THE ABOVE IS ADVANCED AS A PRELIMINARY  
ESSAY ON A PROBLEM WHICH IS GOING TO BE WITH US FOR  
SOME TIME. WE WOULD WELCOME COMMENTS FROM JIDDA,  
KUWAIT, ABU DHABI AND DOHAS AS TO THE LIKELIHOOD OF  
BROTHERLY ARAB SUPPORT FOR THIS INSTITUTION. I HOPE  
DEPARTMENT AND AID WILL ALSO DISCUSS THIS ASPECT OF  
AUB'S FUTURE WITH PRESIDENT-DESIGNATE HOELSCHER, WHO  
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IS REPORTED TO HAVE SOME IDEAS OF HIS OWN ABOUT  
FUND-RAISING.  
PARKER

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## Message Attributes

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Margaret P. Grafeld  
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